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INFO RUEHZG/NATO EU COLLECTIVE
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RUEHMIL/AMCONSUL MILAN 9565
RUEHNP/AMCONSUL NAPLES 3362

C O N F I D E N T I A L SECTION 01 OF 02 ROME 001192

SIPDIS

E.O. 12958: DECL: 09/10/2018

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SUBJECT: VELTRONI TO REMAIN CAPTAIN--FOR NOW, BUT PD IS
ADRIFT

Classified By: Ambassador Ronald P. Spogli for Reasons 1.4 (B) and (D)

Summary

1. (C) Having led the Democratic Party (PD) into defeat in national and local elections this spring, Walter Veltroni is proving no more adept in opposition. Veltroni has lost much of his support within the party and has until next spring's European Parliament elections to salvage his position and retain leadership of the party. Local elections this fall will be an uphill battle for Veltroni, and although they have a different dynamic than national trends, they will foster the notion of Veltroni's weakness. Possible successors, including former Foreign Minister Massimo D'Alema, are not challenging Veltroni's position directly for the moment. Regardless of Veltroni's fate, the PD will endure, but will need to adapt to be a viable electoral challenger to the center right. End Summary.

Uncertain in Opposition

2. (C) After the April 2008 defeat, Veltroni has appeared uncertain on strategy, trying out several tactics with little success. Shortly after the election, Veltroni created a shadow cabinet to strengthen internal discipline and develop policy expertise. Although a somewhat innovative move in Italian politics, the shadow cabinet failed to capture the attention of the media, and leading PD figures assailed it both because it discounted the value of coalition allies and because it bolstered Veltroni's leadership position.

3. (C) Veltroni sought to enhance his profile as a new-style politician by shying away from harsh attacks on Prime Minister Silvio Berlusconi while announcing that he wanted to find opportunities to cooperate. Given the center-right's ample majority, it has not had to reach across the aisle to work with PD. Furthermore, Veltroni opened up his left flank, giving erstwhile coalition ally Antonio DiPietro and his Italy of Values party an opportunity to gain ground through populist attacks on the government. DiPietro, who has also launched withering attacks on Veltroni, will siphon off votes from the PD in local elections this fall and in the European Parliament elections unless PD and IdV reach a new accord.

4. (C) To distract public attention from PD's internal

squabbles, in July Veltroni launched the symbolic signature drive &Let,s Save Italy8 with a goal of gathering 5 million signatures by October 25, when the effort will culminate in a large demonstration against the government. The initiative started off with a few negative notes as some local PD officials announced that they would not sign the petition because it would jeopardize their relations with the national government. Thus far, the initiative has had a limited national profile. A leading political commentator also warned that rooting a petition in a critique of Berlusconi rather than a positive agenda could backfire if a majority of the public continues to assess that Berlusconi is going in the right direction.

¶5. (C) PD officials are pessimistic and dispirited, feeling that Veltroni has done little to unify the new party, either by developing a consensus among the party heavyweights or forging a new PD culture after the union of the post-communist Democrats of the Left (DS) and the Daisy party, which emerged out of the left-wing elements of the centrist Christian Democratic party. In an August 4 meeting with the Ambassador, Senator Franco Marini described the PD as ""leaderless"" and said that ""Veltroni is no Obama."" Critics say that Veltroni has been too authoritarian, failing to listen to the opinions of the different strands of the party.

Upcoming Challenges

¶6. (C) PD's national election defeat in April was followed by a loss in the Rome mayoral race and then defeats in local elections. That losing streak is set to continue this fall, albeit in races with limited national significance. PD is expected to lose in votes in Trentino in October and Abruzzo in November. The continuing losses will give Veltroni's critics plenty of room to continue beating Veltroni up in the press.

¶7. (C) The center right has an aggressive legislative agenda to take advantage of the government's popularity and the opposition's disarray and, thus far, has effectively stifled opposition attempts to amend or delay legislation. Veltroni's best chance to demonstrate his relevance is to make good on

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his promise to have an effective dialogue with the government and influence the government's top legislative priorities--fiscal federalism, judicial reform, and a new electoral law for the European Parliament elections. The center right also would have something to gain by working with Veltroni on these issues as the center left has levers to complicate judicial reform if the government pursues a constitutional amendment, given the center-left's influence within the judiciary. On fiscal federalism and a reform of the electoral law, Veltroni and the center right would be likely to find some common ground, allowing Berlusconi to enhance his profile as a statesman by working with the opposition and Veltroni to potentially strengthen his position within the party by showing the rank and file that he can get results.

No Reason to Knock off Veltroni--Yet

¶8. (C) Veltroni has until the European Parliament elections to turn things around. The aspirants to Veltroni's throne

know that there is nothing to be gained through a palace coup at this point. Instead, they would prefer that Veltroni stay in place to take hits from the left and right and absorb the defeats in the administrative and European Parliament elections. For now, Veltroni faces his harshest critiques from the periphery--Turin Mayor Chiamparino said PD risks an implosion; Venice Mayor Cacciari said the PD is so weak that it doesn't even really exist in northern Italy. However, the heavyweights in Rome have been more understated in their criticism, a sign that they are not ready for a leadership change just yet.

¶9. (C) D'Alema is best positioned to challenge Veltroni for leadership. D'Alema has criticized Veltroni's tactics and leadership style. Should D'Alema launch a formal challenge, it would come in the form of calls for a party congress or even outright demands for a leadership change. These calls could come from D'Alema or his ally former Economic Development Minister Pierluigi Bersani, or D'Alema's top lieutenants--Nicola LaTorre or Luciano Violante. Party officials and journalists are discussing many post-Veltroni scenarios, including ones in which PD is led by someone without DS or Daisy baggage or by a young rising star, although no credible names in either category have been widely circulated.

The View from where Veltroni sits

¶10. (C) In a July 29 meeting with the Ambassador, Veltroni dismissed internal rumblings about the future of the PD as the nervousness of young politicians inexperienced in the normal upturns and downswings in party fortunes. The press reports that Veltroni believes he is at a low point and will manage to regain some consensus during the fall legislative battles. He is also banking on center-right slip ups, including in the restructuring of Alitalia in which the center right has to negotiate with the interests of the entrenched unions. Italy's tenuous economic situation could lead to other cracks in the coalition as the government seeks to make some budget cuts.

Comment

¶11. (C) The first indicator of Veltroni's viability will be this fall's local elections, which have a different dynamic than national trends, but will be a struggle for Veltroni and will give his critics more ammunition. Then, the May 2009 European Parliament elections will be of paramount importance, and Veltroni will not survive as party leader unless PD turns out a stronger performance than now expected. If the PD shows gains in that election, Veltroni's position will be strengthened significantly and he will keep his job. In the meantime, he could help his case by scoring legislative victories by working with the center right to shape legislation in ways that PD members judge to be victories. A final key factor is whether the center right stumbles and offers Veltroni an opening, which could come in the form of coalition squabbling or unpopular economic reforms. Over the long run, a strong PD is in America's interest because it is a center-left party that isolates the more populist and shrill far-left elements that have consistently been troublesome in center-left governments.

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